MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BEC1624 –MACROECONOMICS

(All sections / Groups)

14 JULY 2023
9.00 am – 12.00 pm
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 4 pages excluding the cover page with 4 questions only. Answer **ALL** questions.
2. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a)

A miracle for Vietnam to catch up with Thailand and Malaysia

In 2030, the income of Vietnamese is expected to be equal to that of Malaysia in 2007. Experts calculate that if Vietnam tries its best, it can catch up with Thailand and Malaysia, but it will still be far behind China and South Korea.

In 2022, according to IMF's forecast, Vietnam's GDP per capita will be about 4,200 USD - higher than that of the Philippines ($3,500), almost equal to Indonesia while that of Thailand will be 7,300 USD and over 10,000 USD for Malaysia.

Source: VietNamnet, 19th August 2022.

The catch-up effect says that countries with low income like Vietnam can grow faster than countries with higher income. However, in statistical studies that include many diverse countries we do not observe the catch-up-effect unless we control for other variables that affect productivity. Considering the determinants of productivity, list and explain how the determinants tend to prohibit or limit Vietnam's ability to catch up with the rich ones within the region.

(13 marks)

(b)

It's Time to Reimagine Employee Retention

According to Gartner, the pace of employee turnover is forecast to be 50–75% higher than companies have experienced previously, and the issue is compounded by it taking 18% longer to fill roles than pre-pandemic. Increasingly squeezed managers are spending time they don't have searching for new recruits in an expensive and competitive market. Unless efforts are refocused on retention, managers will be unable to drive performance and affect change. Leaders need to take action to enable their managers to keep their talent while still being able to deliver on results.

Source: Havard Business Review, 4th July 2022.

Firms which retain talents is believed will experience faster growth and greater increase in profits. Explain **FOUR** ways in which a firm might increase its profits by raising the wages it pays.

(6 marks)

Continued...

(c) Briefly define the following terms: -

i. Efficiency wage

(2 mark)

ii. Labour-force participation rate

(2 mark)

iii. Frictional unemployment

(2 mark)

(Total: 25 marks)

QUESTION 2

(a) China sees 'unprecedented' capital outflow since Russia invaded Ukraine

NEW YORK (BLOOMBERG) - China has seen investors pull money out of the country on an "unprecedented" scale since Russia invaded Ukraine in late February, marking a "very unusual" shift in global capital flows in emerging markets, according to the Institute of International Finance (IIF).

Official data showed that foreign investors reduced their holdings of Chinese government bonds by the most on record in February, in part as the Russia-Ukraine war spurred redemptions among global fixed income investors. Sanctions have frozen the Russian central bank's foreign reserves held in euros and US dollars, leading to speculation that Moscow may sell its holding of Chinese assets to raise funds.

Source: The Straits Times, 25th March 2022.

Assess the impact of capital flight on China open economy. Include a three-panel diagram, the market for loanable funds, net capital outflow and the market for foreign currency exchange to demonstrate the effects.

(13 marks)

(b) Officially, about 1.3 million people in the UK were unemployed in December 2022: an unemployment rate of 3.7%, lower than any point since the 1970s.

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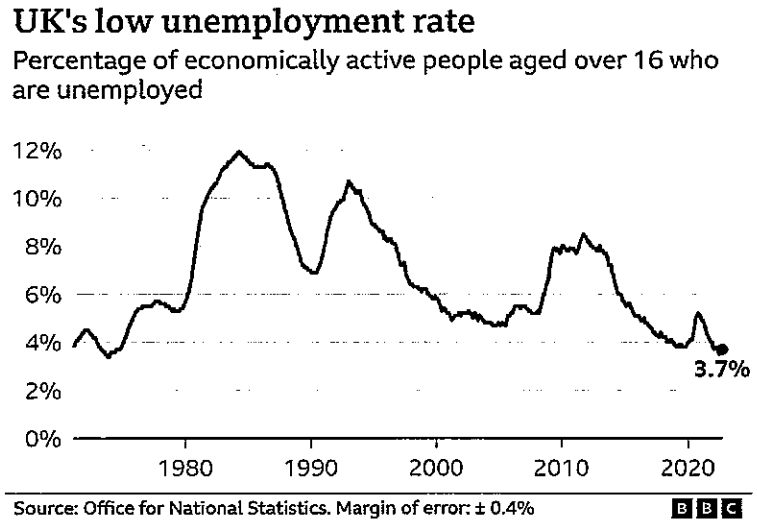
Figure 1



Explain if unemployment in UK does depend on money growth and inflation in the long run. Illustrate your answers with the aid of the aggregate demand and aggregate supply diagram and Phillips curve diagram.

(12 marks)

(Total: 25 marks)

QUESTION 3

(a) Construct the challenges encountered while implementing fiscal policy?

(8 marks)

(b) The National Bank has reserves of $25,000 and checkable deposits of $100,000. The reserve ratio is 25 percent. Households deposit $10,000 in currency into the bank that is added to reserves. Show the level of excess reserves does the bank now have?

(6 marks)

(c) Illustrate "inflation targeting," and its benefits.

(6 marks)

(d) Assume that the household in an economy spend 75% of their extra income. Calculate the change of aggregate demand if government increase their spending by $100,000.

(5 marks)

(Total: 25 marks)

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QUESTION 4

(a) Illustrate the links between changes in the country's money supply, the interest rate, investment spending, aggregate demand, and real GDP.

(10 marks)

(b) Malaysia has established itself as one of the world's top offshore manufacturing hubs for medical devices, with close to 300 medical device manufacturing companies undertaking a variety of activities ranging from regional headquarters and manufacturing to research and development (R&D).

In a statement on Monday (Nov 14) in conjunction with the Association of Malaysian Medical Industries (AMMI) Medical Device Industry Status and Outlook 2021/2022 Report, the Malaysian Investment Development Authority (MIDA) and AMMI said 10 out of the top 30 global medical technology have set up manufacturing in Malaysia, and thus puts the country in the company of Puerto Rico, Ireland and Costa Rica offshore manufacturing hubs.

Source: https://www.theedgemarkets.com/article/malaysia-ranks-among-worlds-top-offshore-manufacturing-hubs-medical-devices-says-report

i. Discuss how the openness to international trade and investment in medical services benefited Malaysian economy?

(6 marks)

ii. Explain the offshoring of manufacturing hubs for medical devices in Malaysia, how it affects international trade?

(4 marks)

(c) Explain how the relation between the real exchange rate and net exports therefore the downward slope of the demand for foreign-currency exchange curve.

(5 marks)

(Total: 25 marks)

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